



## U.S. Department of Treasury Section 1603 Grant Program

The U.S. Department of Treasury currently offers the Section 1603 grant program to wind farm developers in lieu of the Investment Tax Credit (ITC), a provision included in the American Recovery and Reinvestment Act.

The [guidance](#), [terms and conditions document](#), and [application](#) are available on the Treasury Department's American Recovery and Reinvestment Act [web site](#). To file an application, visit <https://treas1603.nrel.gov>.

Treasury invites questions about the program and application process at [1603Questions@do.treas.gov](mailto:1603Questions@do.treas.gov)

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### **Application Process**

The U.S. Treasury Department began accepting applications on July 31, 2009.

Treasury will pay the grant money within 60 days of receiving the application via the [online portal](#). Applications may only be filed after a project is placed in service or is under construction (Page 3 of the guidance).

The [application form](#) is 6 pages long. A completed application must include a signed and complete application form, supporting documentation, signed [Terms and Conditions](#), and complete payment information.

Applicants must supply a Data Universal Numbering Systems (DUNS) from Dun and Bradstreet (Page 4). A DUNS number may be requested at no cost by calling 1-866-705-5711.

Applicants must also register with the Central Contractor Registration (CCR). Go to [www.ccr.gov/startregistration.aspx](http://www.ccr.gov/startregistration.aspx) Registration must be completed before payment can be made.

Payment will be made by electronic funds transfer based upon the banking information submitted in the CRR.

In cases where an applicant has not submitted sufficient information for Treasury to pay, the applicant will be given 21 days to submit additional information. If it is not provided, the application will be denied (Page 4).

### **Documentation**

The following documents are required (Pages 8-10 and 16):

Design plans – final engineering design documents stamped by a licensed professional engineer;

Commissioning report provided by the project engineer or equipment vendor or an independent third party that certifies that the equipment has been installed, tested, and is ready and capable of being used for its intended purpose;

Interconnection agreement (required only for properties placed in service that are interconnected with a utility)

For under construction but not yet placed in service projects, the following must be provided to demonstrate construction has begun – paid invoices and/or other financial documents demonstrating that physical work of a significant nature has begin.

For projects applying as under construction based on a binding contract requires submission of the contract for the manufacture, construction, or production of the property.

A detailed breakdown of all costs included in the basis. Other supporting documentation such as contracts, copies of invoices, and proof of payment must be retained by the applicant and made available upon request to Treasury. For properties that have a cost basis in excess of \$500,000, applicants must submit an independent accountant's certification attesting to the accuracy of all costs claimed as a part of the basis of the property. (Page 16). Additional guidance on this requirement is available [here](#).

The terms and conditions (T&C) document indicates that a project performance report is required on an annual basis for a period of five years. The report must include the following:

Name of applicant  
Current owner of the property  
Treasury application number  
Name of the project  
Location of the project: city/county, State, zip code  
Number of jobs retained  
Annual production  
Installed nameplate capacity

The T&C also requires applicants to make available documents and physical facilities for review by the Treasury Department, the Treasury Department inspector general, or the Comptroller General of the U.S.

The T&C also notes that Treasury “may publicly release the name of the applicant; the type, location, and description of the property that is the subject of the application; and the amount of funding provided.”

### **Partnerships**

Partnerships get the grants rather than partners so long as the partnership does not have tax-exempt partners. The tax-exempt partner issue can be fixed by using a taxable C corporation as a “blocker.” (Page 4)

### **Construction**

Construction begins “when physical work of a significant nature begins.”

Also provides a safe harbor that construction begins when 5% of the total cost of the property has been incurred (Page 7).

Physical work does NOT include preliminary activities such as planning or designing, securing financing, exploring or researching. Preliminary work, such as clearing a site, test drilling to determine soil condition, or excavation to change the contour of the land does NOT constitute beginning construction (Page 6)

The guidance provides a specific wind example: “construction begins when the physical work of a significant nature commences at the site; that is when work begins on the excavation of the foundation, the setting of anchor bolts into the ground, or the pouring of the concrete pads of the foundation.” (Page 6)

Appears to allow construction to have begun if a developer has a binding contract for major components like turbines or towers (Page 6)

### **Placed in Service**

Defines placed in service as “the property is ready and available for its specific use” (Page 5).

As required by statute, to be eligible, a wind project must be originally placed in service between January 1, 2009, and December 31, 2010 (regardless of when construction begins) or placed in service after 2010 but before the credit termination date (for large wind, January 1, 2013; for small wind, January 1, 2017) if construction of the property begins between January 1, 2009, and December 31, 2010 (Page 5).

### **Unit of Property**

Generally, the turbine, tower and pad are a single unit of property. However, “the owner of multiple units of property that are located at the same site and that will be operated as a larger unit may elect to treat the units (and any property, such as a computer control system, that serves some or all such units) as a single unit of property for purposes of determining the beginning of construction and the date the property is placed in service.” (Page 7)

Prohibits property placed in service prior to January 1, 2009, from being included in this larger unit.

### **Recapture**

Recapture is very limited.

Recapture only applies during the 5 year period after the project was placed in service if the project is transferred to a disqualified (tax-exempt entity) person or if the property no longer is an energy property during that time period. 100% recaptured the first year, 80% during the second year, 60% during the third year, 40% during the fourth and 20% during the fifth. (Page 18)

“Selling or otherwise disposing of the property to an entity other than a disqualified person does not result in recapture provided the property continues to qualify as a specified energy property and provide the purchaser of the property agrees to be jointly liable with the applicant for any recapture.” (Page 19)

Temporary cessation of energy production will not result in recapture.

## **Leased Property**

In a sale-leaseback, the lessee, who is not the owner, may claim the grant only if three conditions are satisfied:

The lessee must be the person who originally placed the property in service;

The property must be sold and leased back by the lessee, or must be leased to the lessee, within three months after the date the property was originally placed in service;

The lessee and lessor must not make an election to preclude application of the sale-leaseback rules.

(Page 17)

## **Other**

The guidance document verifies AWEA's previous analysis on two issues:

NEPA does not apply (page 20)

Davis-Bacon does not apply (page 20)

A Section 1603 payment is not considered taxable income (Page 20)

*Notice: This summary document does not constitute legal or investment advice and should not be used as such. AWEA is not responsible for the accuracy, completeness or content of an application. All applicants should review all government documents individually and consult their own legal and other counsel.*